

**CITY OF SHOREVIEW
MINUTES
REGULAR CITY COUNCIL MEETING
December 3, 2012**

CALL TO ORDER

Mayor Martin called the regular meeting of the Shoreview City Council to order at 7:00 p.m. on December 3, 2012.

PLEDGE OF ALLEGIANCE

The meeting opened with the Pledge of Allegiance.

ROLL CALL

The following members were present: Mayor Martin; Councilmembers Huffman, Quigley, Wickstrom and Withhart.

APPROVAL OF AGENDA

MOTION: by Councilmember Wickstrom, seconded by Councilmember Huffman to approve the December 3, 2012 agenda as submitted.

VOTE: Ayes - 5 Nays - 0

PROCLAMATIONS AND RECOGNITIONS

There were none.

CITIZEN COMMENTS

Ms. Kathy Ramundt, Roseville, Representative of the North Suburban Senior Council and Vital Aging Network, stated that the organization has developed a program called EVOLVE, sponsored by the Roseville Housing Redevelopment Authority, Roseville Area Senior Program and the North Suburban Senior Council. EVOLVE is planning an 8-day community leadership course every other Friday, beginning in February through the end of May. She encouraged seniors in Shoreview to register and take advantage of this program. The website is www.vital-aging-network.org.

Mayor Martin stated that any information could be provided on the City website.

COUNCIL COMMENTS**Mayor Martin:**

Saturday, December 8th is the Shoreview Northern Lights Variety Band concert at Bethel Great Hall, Bethel University, at 7:00 p.m. Tickets are available at City Hall or at the door for a small increase in price.

The Government Finance Officers Association has announced that Jeanne Haapala, Finance Director and Fred Espe, Assistant Finance Director have received the certificate of excellence in financial reporting. This award has been received by Ms. Haapala for more than 20 consecutive years.

Community Center memberships make great gifts. Pickleball is now offered in the gym on Wednesday and Friday mornings from 8:00 to 11:00 a.m. A pass is needed to participate.

Councilmember Wickstrom:

Twelve soldiers serving in the Middle East were welcomed home yesterday at the Readiness Center in Arden Hills.

Every second Monday there will be "Build A Burger" fundraiser at the White Bear Lake VFW from 5:00 to 8:00 p.m. The cost is \$5.00 plus \$1 for each add-on ingredient to your burger.

The Environmental Quality Committee (EQC) is planning speakers for upcoming seminars in 2013. The program will begin Wednesday, January 16, 2013. The first program is on recycling.

Councilmember Withhart:

Thursday, December 6, the Shoreview Foundation will hold its annual fundraising dinner. He is pleased to announce that the event is sold out. Dan Brooks, son of the legendary hockey coach Herb Brooks, will be the speaker.

On December 17, 2012, at 6:00 p.m., there will be a reception for Councilmember Blake Huffman who is leaving the City Council to take up his new position as Ramsey County Commissioner. Everyone is welcome.

CONSENT AGENDA

MOTION: by Councilmember Withhart, seconded by Councilmember Wickstrom to approve the Consent Agenda, for December 3, 2012, and all relevant resolutions for all item Nos. 1 through 8:

1. November 13, 2012 City Council Workshop Minutes
2. November 19, 2012 City Council Meeting Minutes

Councilmember Wickstrom noted that the City takes the issue of youth access to alcohol very seriously and does regular compliance checks. The representative from Trader Joe's stated that the company also takes the issue seriously and has rigorous training programs for employees. The company will review and comply with any additional requirements by the City.

MOTION: by Councilmember Quigley, seconded by Councilmember Withhart to approve the application for an off-sale liquor license for Trader Joe's, located at 1041 Red Fox Road, Shoreview, Minnesota subject to submittal of the following items:

- Floor Plan
- Liquor Liability Insurance Certificate
- Worker's Compensation Insurance Certificate
- Executed Copy of Lease

ROLL CALL: Ayes: Huffman, Quigley, Wickstrom, Withhart, Martin
Nays: None

BUDGET HEARING - REVIEW OF 2013 BUDGET AND TAX LEVY

Mayor Martin noted that Mr. Steve Baker, Ramsey County Assessor and Mr. Pete Fredrickson, Residential Assessor, were present to help answer questions.

Presentation by Finance Director Jeanne Haapala

It was noted that budget information booklets are posted on the City's website. The original biennial budget, Capital Improvement Program (CIP) and Five-Year Operating Plan are all at the Ramsey County Library and posted on the City's website. The 2013 budget amendments will be posted in January.

A number of objectives govern the City's budget process:

- Balanced General Fund budget with revenue equal to expenses and maintain appropriate fund balances in accordance with City policies
- Maintain existing services and programs
- Fund infrastructure replacement, which is identified for the long-term to insure that costs are projected in advance
- Continue 5-year financial planning, which is prepared every two years to adequately plan for anticipated costs and adequate revenue is planned
- Meet debt obligations
- Maintain AAA bond rating
- Protect parks, lakes and open space
- Amend second year of biennial budget
- Amend Capital Improvement Program

Residential property is a large portion of the City's tax base. It is important to maintain the quality of that property. A further objective of the budget is to position the City to address future challenges and opportunities by: 1) maintaining and revitalizing neighborhoods, 2) encouraging business expansion and reinvestment, 3) assisting redevelopment opportunities, and 4) utilizing technology to improve services and communications.

The 2013 levy is \$77,000 less than was planned with the original biennial budget. The tax levy is increasing 3.4%. In 2012, the tax levy went down due to a vacancy in a department director position that is still vacant. Annualized, the tax levy is an increase of approximately 1.5% over two years.

Taxable values continue to decline, over 6.5 %. When the tax levies increase and taxable values decrease, the tax rate is impacted. It is the tax rate that is used to calculate property taxes. The City's tax rate has increased 11% from 2012 to 2013.

Ramsey County gained a larger share of fiscal disparities distribution in the metropolitan area, which impacted the County's levy; and helped to keep overall property tax increases lower.

City Manager Schwerm discussed items that are impacting the tax levy in 2013. One major cost increase is public safety. The consolidated dispatch center costs for Ramsey County are increasing faster than inflation because of implementation of a new cost-sharing formula. The dispatch center is also purchasing a new computerized aided dispatch system, and those added costs will be shared among contracting cities.

The City contracts with the Ramsey County Sheriff's Department for public services. In 2013, a new deputy will be added. Shifts are running short which means more deputies are working overtime. The largest cost increase from the Fire Department is the implementation of the Duty Crew program over a period of seven years. Eventually, stations will be staffed 24/7. In 2013, hours from 7:00 a.m. to 10:00 p.m. will be covered every day. Firefighters are trained EMTs and are also responding to medical calls when there are duty crews scheduled.

Two primary funds are used to replace infrastructure. One is the Street Renewal Fund that is used for many of the street projects identified in the CIP. The Fixed Asset Revolving Fund pays for all other asset replacement projects outside streets and utilities, which could be anything from roof replacements to trails to computer systems. Each of the two funds has a \$50,000 increase in 2013. The street renewal fund allows the City to have a policy whereby residents are not assessed twice for street projects. The City has adopted a Comprehensive Infrastructure Replacement program which projects replacement costs out 50 years.

The debt service is increasing \$27,000. In 2013, a \$2.5 million street rehabilitation bond is planned. Debt service levies are structured to have a minimal impact on the tax levies. This was accomplished by the Council setting aside \$378,064 of the General Fund surplus in 2010 and \$311,728 in 2011; and the timing of the debit service payments.

The Economic Development Authority (EDA) and Housing Redevelopment Authority (HRA) are each increasing their levies by \$5,000. Capital improvements account for \$10,000 of the increase. The total levy increase in 2013 is \$319,481.

The City's total operating budget is over \$23 million. The City utility funds are approximately 24% of the operating budget; public works, 32%; parks, 23%; public safety, 12%; and general government and debt are 10% each; depreciation is 8%; community development is 3% and the central garage is 2%.

Park and recreation is high because of the Community Center. Most Community Center operations are supported by user fees. The City contributes approximately \$230,000 in tax dollars toward support of the Community Center.

The largest shares of operating revenue come from utility charges, 33.9%; property taxes, 31.6% and charges for services, 24.6%. The tax levy is approximately \$7 million, but the City's total operating budget is \$23 million.

Certain efficiency strategies are used by the City:

- Contracting for fire and police protection, which is a tremendous savings. To maintain the City's own Police Department would increase public safety costs two to three times their current level.
- Use of correctional crews allows the City to get work done at minimal cost that otherwise would have to be hired out or provided by increased staffing levels.
- There is a department director vacancy that is being handled by other City staff.
- The City has no contingency fund.
- The City uses long-term preventative maintenance strategies on streets.
- Some street renewal projects have been delayed due to fund balances, but it is anticipated that all City streets will have been rebuilt by 2020.
- The staff wage adjustment in 2013 is 2%, which is comparable to other metropolitan cities. This increase follows a number of years when only a 1% increase was adopted.
- The City maintains a high deductible health insurance plan, which has resulted in a savings of hundreds of thousands of dollars to both the City and employees.

Impact to Residential Property

In 2013, most home values are decreasing. Only 51 homes will have value increase over 5%; 10% have increases up to 5%; 12% will remain at the same value as 2012; and 77% will decrease in value. In 2013, the median value home in Shoreview will decrease 6.7% to \$205,000, after market value exclusion (HMVE). The tax system does not relate to how value is changed. In Minnesota, market value to total value is used to distribute property tax burden. To understand how taxes increase or decrease, it is important to understand taxable value. Each property valued at \$205,000 in the same taxing jurisdiction will pay the same tax. However, in a different jurisdiction where property values are higher or lower, taxes will be higher or lower.

Approximately 22% of the total property tax bill in Shoreview goes to the City, if all the preliminary tax levies are adopted. The total tax bill on a median valued home is estimated at \$3,418 of which Shoreview would receive \$758.

Shoreview compares itself to 28 other cities in the metro area closest in population. In 2012, Shoreview ranked fifth lowest in taxes on a median value home of \$235,700. Shoreview's taxes are 24% below the average of \$961. In looking at total taxes from all jurisdictions, Shoreview ranks 4.2% above the average of \$3,303.

Mr. Schwerm informed residents in southern Shoreview who used to be in the boundary of the Grass Lake Watershed Management Organization (GLWMO), are now part of the Ramsey-Washington Metro Watershed District. The cities of Shoreview and Roseville took action to dissolve the GLWMO organization during 2012. The reason for this action is that it was becoming more and more difficult for GLWMO to take on the costs of state mandated projects. Also, GLWMO's authority in the budget process would have been binding on the City. If GLWMO decided to raise their budget significantly, the City would have had no recourse but to pay its share. It was decided that it would be better for GLWMO to merge into Ramsey-Washington. Residents will now see on their tax forms a line that says, "Other," which is primarily the levy of the watershed district.

Mayor Martin opened the public hearing.

Mr. Jason Brooks, 275 Long Lake Court, stated that because of hours cut in his job he is facing his first year of struggling to pay the bills. The City portion of his tax is going up 11%, which is totally unsustainable. When the service stays the same, and incomes are going down, an 11% increase is reckless. He would ask that the Council not increase the levy by this amount.

Mr. Tom Nouis, 5587 Turtle Lake Road, expressed his concern on utility rates and the General Fund that continue to increase. Over the last 11 years, his taxes have increased 6.4% per year on average. This is above the City increases. Over the last six years, his street light bill has increased 13.3% a year on average; surface water fees 9.35% a year over the last seven years; and water availability 13.6% a year. A balance needs to be found. These increases are not sustainable.

Mr. Steve Anderson, 3198 W. Owasso Blvd., stated that he was impressed that the Council is spending a lot of time making an affordable budget. His property is in the 5% increase category, but his taxes increased 17% in Shoreview. He has paid taxes in five different cities in Minnesota, but in the last three years his taxes in Shoreview have increased 37%. His property is one of the 979 that increased in value by 5%. But he is in the 3.8% of households with taxes up over 10%. The math does not add up, and the amounts are not sustainable.

Mr. Paul Olson, 517 Mound Avenue, stated that he is disappointed with the way GLWMO was handled. There was no meeting or notification. He is paying more for the watershed district than for the Metropolitan Council. The Met Council at least has a meeting. There is no meeting for the watershed district. He also asked if the "Other" includes the Rice Creek Watershed District, which would mean he is paying for both.

MOTION: by Councilmember Quigley, seconded by Councilmember Wickstrom to close the public hearing at 8:17 p.m.

VOTE: Ayes - 5 Nays - 0

Ramsey County Assessor Steve Baker stated that he has been the County Assessor with Ramsey County for 12 years. Over the last five years residential properties in Ramsey County have been reduced in value over \$8 billion. The total reduction to the county per capita is over \$20,000 in five years. He believes that finally more values will start to go up during the 2013 assessment. It is anticipated that there will be aggregate increase in residential value. A property value that increases when the majority of properties are decreasing shifts higher taxes to the higher valued property. The classification system in Minnesota puts a higher burden of tax on multi-family units and commercial properties. This year values tended upward, and those taxes have dramatically increased.

The reason tax increases would be higher than the increase in market value is a result of market value exclusion. A portion of market value is excluded for tax purposes on homes valued less than \$413,000. Tax rates increase because of the reduction in value. Tax rates are computed by dividing tax levies by the total taxable value for the taxing jurisdiction. There is much discussion at the state level on changing this formula. The three major sources of income for the state are income tax, sales tax and property tax. Property tax used to be the lowest but now is the highest. Tax income needs to be recalibrated.

Mayor Martin asked **Mr. Baker** to describe the process used for assessment. **Mr. Baker** explained that each residential property is inspected every five years, but each property is revalued every year using a mass appraisal computer system. Sales are analyzed and compared to unsold properties. Land values can also have an impact. For any question, residents should call in March when the assessed value is sent out. There is an appeal board if property owners do not agree with the assessed value.

Councilmember Huffman asked the gap between the appraisal value and sale value of a house. **Mr. Baker** stated that he expects appraisals are within 3% to 5% of market value.

Councilmember Wickstrom asked **Mr. Baker** to explain the state law that property taxes cannot go up higher than 12% without a refund to the taxpayer. **Mr. Baker** stated that the program is still in place. Refunds can be filed. It is formula based on need. The second part of the formula is that if taxes increase above 12%, property owners are entitled to a refund of 60% above the 12% up to a maximum of \$1,000. The state has targeted revenue for this program to provide relief for those who need it.

Councilmember Wickstrom asked the impact of a short sale on neighborhood property values. **Mr. Baker** responded that short sales have more of a global impact. Short sales sell 15% under a traditional sale. They do help to give people confidence. Short sales or foreclosures are not used in comparisons of market sales. As the market is stabilizing, there is a decrease in foreclosures and short sales.

Councilmember Wickstrom explained that properties throughout the entire City were paying in taxes for the work of GLWMO, which means that residents in the northern part of the City, within the Rice Creek Watershed District, have been helping to subsidize GLWMO. With the merger to Ramsey-Washington Metropolitan Watershed District, that is not happening, although there is a big tax increase this first year.

Councilmember Withhart stated that there would have been a large watershed tax increase with or without the merger because of mandates being put on watershed districts from the federal and state government.

Mr. Schwerm noted that a hearing must be held by the watershed district, but notices are not sent out. Notices are published. The Ramsey-Washington has a higher tax rate than Rice Creek. The large increase in the watershed tax should be a one-year phenomenon. He would anticipate increases more in line with inflation in future years.

Mr. Schwerm further acknowledged that City utility rates have increased significantly. This is because both the water and sewer funds have been losing money. A major shift was done last year with a new tier rate added to the water fund to address the rate structure. This new tier appears to be the structured rate change that was needed to provide a more consistent revenue base for the water fund. The sewer rate depends on what the City is charged by the Metropolitan Council for sewage treatment. The sewer rate is a reimbursement of that charge. Surface water funds have increased dramatically because of watershed district regulation increases. A goal for the street light fund is to have a sufficient balance to be able to replace lights as they go out.

Mayor Martin stated that Shoreview is fifth lowest in the metropolitan area. A sincere effort is being made to maintain services and keep taxes as low as possible.

Action on the budget will be taken at the December 17th meeting. Mr. Baker agreed to be available for individual questions.

ADJOURNMENT

MOTION: by Councilmember Huffman, seconded by Councilmember Quigley to adjourn the meeting at 8:55 p.m.

VOTE: Ayes - 5 Nays - 0

Mayor Martin declared the meeting adjourned.

THESE MINUTES APPROVED BY COUNCIL ON THE 17TH DAY OF DECEMBER 2012.

Terry C. Schwerm
City Manager